

Idaho Grain Market Report, January 20, 2011

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Jan. 27 at 8:30 a.m. MST WEBINAR. Topic is **Optimizing Fertility in Malting Barley and Hard Red Spring Wheat** – presented by *Dr. Brad Brown, UI cereal agronomist, Parma ID.* To join from your computer, please log onto: <https://connect.cals.uidaho.edu/barley/>

Jan. 20, 2011 will be the final issue of the IDAHO GRAIN MARKET ALERT, a companion market report that we have provided since late June 2010. The Grain Market Alert is produced weekly by Craig Corbett, and provides in-depth understanding of the technical trends in the grain futures markets (wheat, corn and energies). **The Idaho Grain Market Alert will be available by subscription in the future. We will provide you with more specific information early next week on how you can subscribe to this valuable report.**

Prices paid by Idaho Elevators delivered to warehouses in specified locations for barley and wheat on Wednesday, January 19, 2011. Barley prices in \$/Cwt. and wheat prices in \$/bu.

	<u>Barley (Cwt.)</u>		<u>Wheat (bu.)</u>		
	#2 Feed, 48 lbs or better	Open market malting	#1 SWW	#1 HRW 11.5% protein	#1 DNS 14% protein
Ashton	NQ	(2-R) \$9.50 (6-R) NQ	NQ	NQ	NQ
Rexburg/ Ririe/ Roberts	\$9.00	(2-R) NQ (6-R) NQ	\$6.60	\$7.35	\$9.25
Idaho Falls	NQ	(2-R) \$9.00-\$10.00 (6-R) \$9.00	NQ	NQ	NQ
Blackfoot / Pocatello	\$8.95	(2-R) \$9.50 (6-R) NQ	\$6.60	\$7.06	\$9.08
Grace / Soda Springs	\$9.24-\$9.50	(2-R) NQ (6-R) NQ	\$6.60	\$7.32-\$7.39	\$8.90-\$8.96
Burley / Rupert	\$9.00-\$9.50	(2-R) \$9.00 (6-R) \$9.00	\$6.80-\$6.90	\$7.17	\$9.06
Hazelton		(6-R) \$9.00			
Twin Falls / Eden / Buhl	\$10.00-\$10.75	(2-R) \$10.50 (6-R) NQ	\$6.50	NQ	NQ
Weiser	\$9.50	(2-R) NQ (6-R) NQ	\$6.74	NQ	NQ
Nez Perce / Craigmont	\$8.40	(2-R) \$8.40 (6-R) \$8.40	\$7.24	\$8.17	\$10.03
Lewiston	\$8.65	(2-R) \$8.65 (6-R) \$8.65	\$7.43	\$8.36	\$10.22
Moscow / Genesee	\$8.45-\$10.00	(2-R) \$8.45 (6-R) \$8.45	\$7.20-\$7.85	\$8.13-\$8.64	\$9.99-\$10.46

Trading Prices at Selected Terminal Markets, cash prices FOB

	<u>Barley (Cwt.)</u>		<u>Wheat (bu.)</u>			
	#2 Feed 46 lbs. -- unit trains barge	Single rail cars- domestic	Malting	#1 SWW	#1 HRW 11.5% Protein	#1 DNS 14% Protein
Portland	NQ	NQ	NQ	Jan \$7.85 Aug NC \$7.50-\$7.80	Aug NC \$8.73-\$8.99	Aug NC \$9.92-\$10.12
Los Angeles	\$12.60	NQ	NQ	NQ	NQ	NQ
Stockton	NQ	NQ	NQ	NQ	NQ	NQ
Tulare	\$12.60	NQ	NQ	NQ	NQ	NQ
Ogden	\$9.80	NQ	NQ	\$6.90	\$7.50	\$9.14
Great Falls	\$7.75-\$8.30	NQ	\$9.00	NQ	\$6.44-\$6.66	\$9.32-\$9.53
Minneapolis	\$8.65	NQ	\$11.67	NQ	\$8.44 ¼ (12%)	\$10.71 ¼-\$10.91 ¼

Market trends this week

BARLEY – Local barley prices were mostly higher this week ranging from no change to \$1.00 higher in southern Idaho and \$.25 to \$.30 higher in northern Idaho. USDA will not release their weekly export sales report until Friday due to Monday's holiday.

WHEAT – Local wheat prices were mostly higher this week: SWW ranged from 5 cents lower to 30 cents higher; HRW ranged from 2 cents lower to 57 cents higher; and DNS ranged from 10 to 58 cents higher. Wheat export shipments last week totaled 588 TMT, down 16% from the previous week.

Wheat Competitor/Buyer News – Turkey purchased 145 TMT of U.S. HRW wheat and Jordan purchased 150 TMT of U.S. HRW wheat this week. Algeria purchased 600 TMT of French wheat and Libya purchased 100 TMT of optional origin wheat this week.

CORN – USDA reported corn export shipments last week totaled 520.7 TMT, down 3% from the previous week.

Ethanol corn usage – DOE's Energy Information Agency reported that U.S. ethanol production last week totaled 913,000 barrels per day, up 2.8% from last week and up 11.6% from a year ago. This equates to 95.86 million bushels of corn consumption last week, above the weekly pace of 94.5 million bu needed to meet USDA's estimated usage of 4.9 billion bushels in MY 2010/11.

Corn Competitor/Buyer News – China reportedly purchased 150 TMT of Australian feed wheat this week. Many analysts still expect China will need to import sizeable quantities of corn this year - perhaps as much as 9 MMT - to refill its strategic reserves and meet rising feed grain demand. The Buenos Aires Grain Exchange lowered its corn production estimate for Argentina this week to 19.5 MMT, down from 20.3 MMT estimated last week, due to recent dry and hot conditions during pollination.

Futures market activity this week

U.S. macroeconomic news continues to improve, with definite signs of improving consumer confidence (higher than expected December retails sales and another monthly gain in the Index of Leading Economic Indicators – up 1% in December). There also are signs that we may be seeing a bottom in the U.S. housing market (existing homes sales increased more than expected, up 12% last month, while building permits were up nearly 17%). Unemployment remains stubbornly high, with the Federal Reserve reporting that while positive the current economic expansion is not enough to bring down high level of unemployment. Meanwhile, China is showing signs of an overheated economy, with GDP growing at 10.3% in 2010 and current inflation at 4.6% and food inflation at 7.2%, which is down from 11% last month. Markets are speculating that China will raise interest rates in an effort to slow economic growth and ease inflationary concerns. Brazil raised interests this week as well.

WHEAT – Wheat market began the week on Tuesday (markets were closed Monday for MLK holiday) with prices surging sharply higher as an early rally was sparked by a lower dollar and global food inflationary fears which are prompting many major importers to make large scale purchases. Prices continued to climb on Wednesday despite general weakness across a wide range of commodity and outside markets, with gains attributed to the urgent import pace that has been triggered by major buyers trying to get ahead of rising prices. A late session surge in corn and growing concerns that milling quality stocks are becoming tight pushed wheat markets higher again today (Thursday). **Wheat futures market closes on Thursday, 01/20/11...**

	<u>Mar 2011</u>	<u>Weekly Summary</u>	<u>May 2011</u>	<u>Weekly Summary</u>
Chicago	\$8.03 ½	Up \$.30 ¼	\$8.32	Up \$.29
Kansas City	\$8.86 ¼	Up \$.26 ¼	\$8.97	Up \$.26 ¼
Minneapolis DNS	\$9.20	Up \$.29 ¾	\$9.28 ½	Up \$.29 ¼

CORN – Corn prices began the week solidly higher on Tuesday – reaching the highest level since July 2008 – with spillover support from wheat, a weaker dollar and continued talk of tightening U.S. stocks. Gains were limited by good weekend rains across Argentina which helped relieve crop stresses. Corn prices posted a bearish reversal lower on Wednesday in the face of overbought technical conditions and rumors that China had made a large purchase of Australian feed wheat. Corn finished with a strong recovery today (Thursday) on a combination of short covering and fresh fund and commercial buying. **Mar 2011 corn futures contract closed Thursday, 01/20/11, at \$6.54, up \$.05 ¼ and the May 2011 contact closed at \$6.64, up \$.06 for the week.**

Nearby-by Commodity Outlook –

Wheat – Tightening stocks of milling quality wheat and signs of panic buying around the world has pushed wheat prices to 29 month highs. In coming weeks, analysts will be intensely focused on winter wheat conditions as supply concerns continue amidst speculation that total wheat acreage will not expand greatly in either the U.S. or Canada this year due to stronger returns for competitive crops. **CHI has broken through psychological resistance of \$8.00, while KC is targeting \$9.21 and MGE is targeting \$9.64.**

Corn – Prices continue to rise in an effort to ration old crop supplies and buy more acres in 2011. Despite increased competition on the global market from feed wheat, corn fundamentals remain strong for the current marketing year, particularly on revised Argentines corn crop projections below 20 MMT and China's need to replenish strategic reserves. Fundamentals are even more supportive for new-crop corn because of the need to buy acres. Analysts think corn needs to buy at least 5 million acres to ease a historically low and unsustainable stock-to-use situation, but most recent farmer surveys don't show this level of acreage gain at today's prices. **Charts show key support at \$6.50, \$6.25 (20-day moving average) and stronger support at \$6.00 with resistance at \$6.75.**

OTHER MAJOR FACTORS TO WATCH –

- **CRUDE OIL** – Crude oil opened the week at \$91.35 and chopped mostly lower on a mix of news – new supply disruptions reported in the North Sea providing underlying support were countered by concerns about slowing demand in China, the largest oil consuming market. Prices were pushed sharply lower on Thursday, down \$2.22/bbl to close at \$89.59/bbl - on a combination of larger than expected increase in domestic inventories and growing speculation that China is poised to raise interest rates in an effort to cool off its overheated economy which could slow oil demand. The weekly petroleum inventory report was delayed until Thursday, showing a bigger than expected build in crude, distillates and gasoline stocks. Crude oil stocks increased by 2.6 million bbls, compared to an expected draw of 500,000 bbls; distillate stocks increased by 1.04 million bbls, compared to an expected build of 1.0 million bbls; and gasoline supplies increased by 4.4 million bbls, compared to an expected build of 2.5 million bbls. **The International Energy Agency revised its global oil demand estimates higher this week** – up 360,000 barrels per week from last month's estimate to 89.1 million barrels per day. This represents an increase of 1.4 million bpd from a year ago.
- **U.S. WEATHER / CROP WATCH** – Many Midwestern areas saw fresh snow mid week, ahead of another round of cold air which is centered in the eastern edge of the winter wheat belt. So far, the entire winter wheat belt has seen below normal precipitation, with long-term moisture deficits persisting for much of the Central and Southern Plains. The 6-10 and 8-14 day outlooks are trending drier and warming, and unfortunately the longer-term outlooks looking unfavorably dry for the Central and Southern Plains. Timely rains will be very important this spring to improve U.S. winter wheat conditions.
- **INTERNATIONAL WEATHER / CROP WATCH** –
 - **Argentina** – rain totals in key production areas were impressive in the past several days, replenishing soil moisture and improving crop conditions, particularly for soybeans. About 25% of the Corn Belt is still too dry and yield damage has occurred. The Buenos Aires Grain Exchange is now pegging their corn crop at 19.5 MMT.
 - **Australia** – Heavy rains are easing with a mostly dry pattern expected over the next 10 days before rains return. Conditions have improved enough for harvest to finish in southeastern regions.